

**REPORT OF THE AUDIT OF THE
BARREN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2006**



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John Farris, Secretary
Finance and Administration Cabinet
Honorable Davie D. Greer, Barren County Judge/Executive
Members of the Barren County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Barren County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated the Barren County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BARREN COUNTY FISCAL COURT

June 30, 2006

Tichenor & Associates, LLP has completed the audit of the Barren County Fiscal Court for fiscal year ended June 30, 2006.

We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Barren County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$9,139,484 as of June 30, 2006. The fiscal court had unrestricted net assets of \$2,804,226 in its governmental activities as of June 30, 2006, with total net assets of \$9,036,180. In its business-type activities, total net cash and cash equivalents were \$74,753 with total net assets of \$103,304. The fiscal court had total debt principal as of June 30, 2006 of \$7,010,201 with \$378,181 due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

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To the People of Kentucky

Honorable Ernie Fletcher, Governor

John Farris, Secretary

Finance and Administration Cabinet

Honorable Davie D. Greer, Barren County Judge/Executive

Members of the Barren County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Barren County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Barren County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Barren County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Barren County, Kentucky, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting.

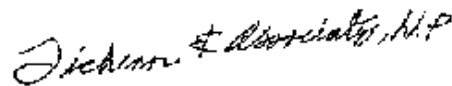
The County has chosen not to present the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John Farris, Secretary
Finance and Administration Cabinet
Honorable Davie D. Greer, Barren County Judge/Executive
Members of the Barren County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Barren County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2006 on our consideration of Barren County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tichenor & Associates, LLP".

Tichenor & Associates, LLP

October 12, 2006

BARREN COUNTY OFFICIALS

For The Year Ended June 30, 2006

Fiscal Court Members:

Davie D. Greer	County Judge/Executive
Krissie Coe Fields	Magistrate
Robert T. Groce	Magistrate
Carl H. Dickerson	Magistrate
Thomas Matthews	Magistrate
Howard N. Bowman, Jr.	Magistrate
Charles Allen	Magistrate
Dr. Steven M. Welborn	Magistrate

Other Elected Officials:

Jeff Sharp	County Attorney
Leland Cox	Jailer
Pamela S. Browning	County Clerk
Barney E. Jones	Sheriff
Brad Bailey	Property Valuation Administrator
Michael T. Swift	Coroner

Appointed Personnel:

Karen Bracken	County Treasurer
Nancy Houchens	Payroll Officer
Sherry J. Jones	Finance Officer

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BARREN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2006

BARREN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2006

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 3,111,310	\$ 74,753	\$ 3,186,063
Investments	608,520		608,520
Total Current Assets	<u>3,719,830</u>	<u>74,753</u>	<u>3,794,583</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	910,357		910,357
Buildings	8,455,786		8,455,786
Other Equipment	1,033,927		1,033,927
Vehicles and Equipment	577,067	28,551	605,618
Infrastructure Assets - Net of Depreciation	<u>1,349,414</u>		<u>1,349,414</u>
Total Noncurrent Assets	<u>12,326,551</u>	<u>28,551</u>	<u>12,355,102</u>
Total Assets	<u>16,046,381</u>	<u>103,304</u>	<u>16,149,685</u>
LIABILITIES			
Current Liabilities:			
Bonds Payable	265,000		265,000
Financing Obligations Payable	<u>113,181</u>		<u>113,181</u>
Total Current Liabilities	<u>378,181</u>		<u>378,181</u>
Noncurrent Liabilities:			
Bonds Payable	6,550,000		6,550,000
Financing Obligations Payable	<u>82,020</u>		<u>82,020</u>
Total Noncurrent Liabilities	<u>6,632,020</u>		<u>6,632,020</u>
Total Liabilities	<u>7,010,201</u>		<u>7,010,201</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,694,531	28,551	5,723,082
Restricted For:			
Capital Projects	537,423		537,423
Unrestricted	<u>2,804,226</u>	<u>74,753</u>	<u>2,878,979</u>
Total Net Assets	<u>\$ 9,036,180</u>	<u>\$ 103,304</u>	<u>\$ 9,139,484</u>

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2006

BARREN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,965,393	\$ 13,321	\$ 1,562,731	\$
Protection to Persons and Property	2,300,040	1,131,160	870,231	
General Health and Sanitation	518,184			
Social Services	82,806			
Recreation and Culture	523,970			
Roads	1,132,597		1,929,129	
Debt Service	591,556		256,600	
Capital Projects	3,255			
Total Governmental Activities	9,117,801	1,144,481	4,618,691	
Business-type Activities:				
Jail Canteen	239,777	221,781		
Total Business-type Activities	239,777	221,781		
Total Primary Government	\$ 9,357,578	\$ 1,366,262	\$ 4,618,691	\$ 0

General Revenues:

Taxes:
 Real Property Taxes
 Personal Property Taxes
 Motor Vehicle Taxes
 Other Taxes
Interest Income
Unrestricted Investment Earnings
Miscellaneous Revenues

Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

BARREN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2006
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (2,389,341)	\$	\$ (2,389,341)
(298,649)		(298,649)
(518,184)		(518,184)
(82,806)		(82,806)
(523,970)		(523,970)
796,532		796,532
(334,956)		(334,956)
(3,255)		(3,255)
(3,354,629)		(3,354,629)
	(17,996)	(17,996)
	(17,996)	(17,996)
\$ (3,354,629)	\$ (17,996)	\$ (3,372,625)
\$ 1,908,947	\$	\$ 1,908,947
257,569		257,569
348,156		348,156
1,509,744		1,509,744
61,679		61,679
	917	917
990,304		990,304
5,076,399	917	5,077,316
1,721,770	(17,079)	1,704,691
7,314,410	120,383	7,434,793
\$ 9,036,180	\$ 103,304	\$ 9,139,484

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2006

BARREN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2006

	General Fund	Road Fund	Jail Fund	Recreation Department Fund	Barren County Government Center Construction Fund
ASSETS					
Cash and Cash Equivalents	\$ 1,848,835	\$ 980,525	\$ 63,461	\$ 7,753	\$ 47,423
Investments					490,000
Total Assets	<u>\$ 1,848,835</u>	<u>\$ 980,525</u>	<u>\$ 63,461</u>	<u>\$ 7,753</u>	<u>\$ 537,423</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 40,457	\$ 111,747	\$ 18,457	\$	\$
Unreserved:					
General Fund	1,808,378				
Special Revenue Funds		868,778	45,004	7,753	
Capital Projects Fund					537,423
Debt Service Fund					
Total Fund Balances	<u>\$ 1,848,835</u>	<u>\$ 980,525</u>	<u>\$ 63,461</u>	<u>\$ 7,753</u>	<u>\$ 537,423</u>

The accompanying notes are an integral part of the financial statements.

BARREN COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2006

(Continued)

Public Properties Corporation	Non-Major Governmental Funds	Total Governmental Funds
\$ 35,020	\$ 128,293	\$ 3,111,310
	118,520	608,520
<u>\$ 35,020</u>	<u>\$ 246,813</u>	<u>\$ 3,719,830</u>

\$	\$	\$ 170,661
		1,808,378
	246,813	1,168,348
		537,423
<u>35,020</u>		<u>35,020</u>
<u>\$ 35,020</u>	<u>\$ 246,813</u>	<u>\$ 3,719,830</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 3,719,830
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported In The Funds.	15,511,828
Accumulated Depreciation	(3,185,277)
Long-term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Financing Obligations	(195,201)
Bonded Debt	<u>(6,815,000)</u>
Net Assets Of Governmental Activities	<u>\$ 9,036,180</u>

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

BARREN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Recreation Department Fund</u>
REVENUES				
Taxes	\$ 3,686,739	\$	\$	\$
In Lieu Tax Payments	88,385			
Licenses and Permits	198,491			
Intergovernmental	2,731,857	2,155,740	945,902	
Charges for Services	4,753		185,258	
Miscellaneous	151,392	5,972	162,710	2,000
Interest	26,914	10,177	357	56
Total Revenues	<u>6,888,531</u>	<u>2,171,889</u>	<u>1,294,227</u>	<u>2,056</u>
EXPENDITURES				
General Government	2,664,244			
Protection to Persons and Property	1,023,533		1,310,396	
General Health and Sanitation	500,419	6,774		
Social Services	73,058			
Recreation and Culture	504,717			19,253
Roads		1,119,189		
Debt Service	473,111	31,368	6,717	
Capital Projects			3,255	
Administration	797,873	148,132	387,327	159
Total Expenditures	<u>6,036,955</u>	<u>1,305,463</u>	<u>1,707,695</u>	<u>19,412</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>851,576</u>	<u>866,426</u>	<u>(413,468)</u>	<u>(17,356)</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds	184,055			
Transfers From Other Funds	4,161	70,000	382,065	25,100
Transfers To Other Funds	(477,165)		(79,130)	
Total Other Financing Sources (Uses)	<u>(288,949)</u>	<u>70,000</u>	<u>302,935</u>	<u>25,100</u>
Net Change in Fund Balances	562,627	936,426	(110,533)	7,744
Fund Balances - Beginning	1,286,208	44,099	173,994	9
Fund Balances - Ending	<u>\$ 1,848,835</u>	<u>\$ 980,525</u>	<u>\$ 63,461</u>	<u>\$ 7,753</u>

The accompanying notes are an integral part of the financial statements.

BARREN COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2006
(Continued)

Barren County			
Government			
Center	Public	Non-Major	Total
Construction	Properties	Governmental	Governmental
Fund	Corporation	Funds	Funds
\$	\$	\$	\$ 3,686,739
			88,385
			198,491
	256,600	146,384	6,236,483
		8,568	198,579
		47,141	369,215
16,162	1,758	6,255	61,679
16,162	258,358	208,348	10,839,571
		8,096	2,672,340
		5,911	2,339,840
			507,193
		9,748	82,806
			523,970
		65,601	1,184,790
	335,360		846,556
			3,255
			1,333,491
	335,360	89,356	9,494,241
16,162	(77,002)	118,992	1,345,330
			184,055
	79,130		560,456
		(4,161)	(560,456)
	79,130	(4,161)	184,055
16,162	2,128	114,831	1,529,385
521,261	32,892	131,982	2,190,445
\$ 537,423	\$ 35,020	\$ 246,813	\$ 3,719,830

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

BARREN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ 1,529,385
Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement Of Activities The Cost Of Those Assets Are Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.	
Capital Outlay	386,708
Depreciation Expense	(388,004)
Financing Obligation Proceeds Are A Current Source To Governmental Funds While Financing Obligations And Bond Principal Payments Are Expensed In The Governmental Funds As A Use Of Current Financial Resources However, These Transactions Have No Effect On Net Assets.	
Financing Obligations Proceeds	(184,055)
Financing Obligations Payments	122,736
Bond Payments	<u>255,000</u>
Change In Net Assets Of Governmental Activities	<u><u>\$ 1,721,770</u></u>

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BARREN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2006

BARREN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2006

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 74,753
Total Current Assets	<u>74,753</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	64,763
Less Accumulated Depreciation	<u>(36,212)</u>
Total Noncurrent Assets	<u>28,551</u>
Total Assets	<u>103,304</u>
Fund Net Assets	
Invested in Capital Assets,	
Net of Related Debt	28,551
Unrestricted	<u>74,753</u>
Total Net Assets	<u>\$ 103,304</u>

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

BARREN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 221,781
Total Operating Revenues	<u>221,781</u>
Operating Expenses	
Cost of Sales	111,320
Educational and Recreational	360
Personnel Costs	30,250
Depreciation	3,239
Repairs and Maintenance	5,086
Auto Fuel	7,455
Miscellaneous	4,397
Total Operating Expenses	<u>162,107</u>
Operating Income	<u>59,674</u>
Nonoperating Revenues (Expenses)	
Interest Income	917
Inmate Pay From State	(7,885)
Inmate Refunds	(69,785)
Total Nonoperating Revenues (Expenses)	<u>(76,753)</u>
Change In Net Assets	(17,079)
Total Net Assets - Beginning	<u>120,383</u>
Total Net Assets - Ending	<u><u>\$ 103,304</u></u>

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2006

BARREN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 221,781
Cost of Sales	(111,320)
Educational and Recreational	(360)
Personnel Costs	(30,250)
Repairs and Maintenance	(5,086)
Auto Fuel	(7,455)
Miscellaneous	(4,397)
Net Cash Provided By Operating Activities	<u>62,913</u>
Cash Flows From Noncapital Financing Activities	
Inmate Pay From State	(7,885)
Inmate Refunds on Accounts	(69,785)
Net Cash Used By Noncapital Financing Activities	<u>(77,670)</u>
Cash Flows From Investing Activities	
Interest Earned	<u>917</u>
Net Cash Provided By Investing Activities	<u>917</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(13,840)
Cash and Cash Equivalents - July 1, 2005	<u>88,593</u>
Cash and Cash Equivalents - June 30, 2006	<u><u>\$ 74,753</u></u>

The accompanying notes are an integral part of the financial statements.

BARREN COUNTY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2006
(Continued)

	Business-Type Activities - Enterprise Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	Jail Canteen Fund
Operating Income (Loss)	\$ 59,674
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	<u>3,239</u>
Net Cash Provided By Operating Activities	<u><u>\$ 62,913</u></u>

The accompanying notes are an integral part of the financial statements.

BARREN COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2006

BARREN COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2006

	<u>Agency Funds</u>
	2002
	Tax Escrow
	Fund
	<u></u>
Assets	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 4,435</u>
Total Assets	<u><u>\$ 4,435</u></u>
Liabilities	
Amounts Held In Custody For Others	<u>\$ 4,435</u>
Total Liabilities	<u><u>\$ 4,435</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances), if applicable.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Barren County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. Barren County has no discretely presented component units.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

Barren County Public Properties Corporation

The Barren County Fiscal Court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Barren County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Barren County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Barren County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Recreation Department Fund - This fund is for improvements and maintenance of a county park. The primary sources of revenue for this fund are grants from the state and federal government and private donations.

Barren County Government Center Construction Fund - The primary purpose of this fund is the acquisition or improvement of major capital facilities. The primary source of revenue for this fund is interest earned on investments.

Public Properties Corporation - The primary purpose of this fund is to service the 1998 Series debt issued to construct the courthouse annex and to renovate the jail.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Federal Drug Forfeiture Fund, Hiseville Cemetery Fund, and the Work Release Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Recreational Department Fund, Federal Drug Forfeiture Fund, Hiseville Cemetery Fund, and Work Release Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Capital Projects Fund:

The Barren County Government Center Construction Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund:

The Public Properties Corporation is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Fiduciary Funds (Continued)

The primary government reports the following fiduciary fund:

2002 Tax Escrow Fund - This fund is used to account for surplus funds received from the Sheriff. If these funds are not claimed, they will be turned over to the Kentucky State Treasurer in accordance with KRS 393.090 and KRS 392.110.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). Investments are recorded at cost and changes in fair market value of investments are not recorded.

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance, if applicable.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Barren County Fiscal Court: Barren County Extension District.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Related Organizations, Joint Venture, and Jointly Governed Organizations (Continued)

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Barren County Fiscal Court: Joint City County Planning and Zoning Commission, Ambulance Service Corporation, Inc., Barren-Metcalf Emergency Communications Center, Barren County Tourism and Convention Center, and Barren Information Technology Systems.

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility is a jointly governed organization. Based on these criteria, the following are considered jointly governed organizations of the Barren County Fiscal Court: Glasgow-Barren County Animal Shelter Board (Animal Shelter), and Glasgow-Barren County Industrial Development and Economic Authority (Industrial Development).

Note 2. Deposits and Investments

A. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480 (1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County's deposit may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments

As of June 30, 2006, the County had the following investments:

Investments	Maturity	Cost	Rating	Concentration
Federal National Mortgage Association	10/12/2007-12/15/08	\$ 288,897	AAA	0.48
Federal Home Loan Bank Notes	6/20/07-1/23/2008	274,814	AAA	0.45
Federal Home Loan Mortgage Corp	6/15/2008	24,833	AAA	0.04
U. S. Treasury Notes	9/30/06-2/15/07	19,976	AAA	0.03
Total		<u>\$ 608,520</u>		<u>1.00</u>

Interest Rate Risk

The County does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to losses arising from changes in interest rates.

Credit Risk and Concentration of Credit Risk

KRS 66.480 limits the County's investments in the following: obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, obligations and contracts for future delivery or purchase of obligations backed by the United States or its agencies and obligations of any corporation of the United States Government. Certificates of Deposit issued by or other interest-bearing accounts of any bank or savings and loan institution insured by the Federal Deposit Insurance Corporation or similar entity. Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency. Banker's acceptances for banks rate in one of the three highest categories by a nationally recognized rating agency. Commercial paper rated in the highest category by a nationally recognized rating agency. Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities. Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States and rated in one of the three highest categories by a nationally recognized rating agency. Shares of mutual funds meeting specific characteristics outlined in the statute shall be eligible investments. Also, the County is limited to investing no more than 20% in any one of the following investments as allowed by KRS 66.480: Uncollateralized certificates of deposit issued by a bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency; Banker's acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency; Commercial paper rated in the highest category by a nationally recognized rating agency; or Securities issued by a state or local government or any other instrumentality or agency, thereof, in the United States and rated in one of the three highest categories by a nationally recognized rating agency. The County had no investment policy that would further limit its investment choices. In general, U.S. government obligations or obligations guaranteed by the U.S. government are not subject to investment credit risk or concentration of credit risk. Please see the table above for credit rating and concentration of credit risk.

Note 2. Deposits and Investments (Continued)

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the county will not be able to recover the value of its investments held in the possession of an outside party. The County does not have an investment policy for custodial credit risk. Although investments are recorded at cost, fair market value of the investments with Hilliard Lyons was \$508,529 as of June 30, 2006. As of June 30, 2006, the fair market value of the investments was exposed to custodial credit risk as follows:

- \$8,529 uninsured and uncollateralized at June 30, 2006

Note 3. Operating Leases

The fiscal court entered into various lease agreements for vehicles to be used by various county departments. Payments on operating leases are included in debt service on the statement of activities. The total expense related to these leases was \$144,732 for the fiscal year ended June 30, 2006. The future minimum lease payments for these leases are as follows:

Fiscal Year Ended June 30	Amount
2007	\$ 99,991
2008	96,469
2009	88,035
2010	20,658
Total Minimum Lease Payments	<u>\$ 305,153</u>

Note 4. Capital Assets

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Capital asset activity for the year ended June 30, 2006 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 910,357	\$	\$	\$ 910,357
Construction In Progress	12,831		(12,831)	
Total Capital Assets Not Being Depreciated	923,188		(12,831)	910,357
Capital Assets, Being Depreciated:				
Buildings	10,052,975	12,831		10,065,806
Other Equipment	1,643,538	202,634		1,846,172
Vehicles and Equipment	1,036,652	58,119		1,094,771
Infrastructure	1,468,767	125,955		1,594,722
Total Capital Assets Being Depreciated	14,201,932	399,539		14,601,471
Less Accumulated Depreciation For:				
Buildings	(1,458,969)	(151,051)		(1,610,020)
Other Equipment	(736,770)	(75,475)		(812,245)
Vehicles and Equipment	(462,541)	(55,163)		(517,704)
Infrastructure	(138,993)	(106,315)		(245,308)
Total Accumulated Depreciation	(2,797,273)	(388,004)		(3,185,277)
Total Capital Assets, Being Depreciated, Net	11,404,659	11,535		11,416,194
Governmental Activities Capital Assets, Net	<u>\$ 12,327,847</u>	<u>\$ 11,535</u>	<u>\$ (12,831)</u>	<u>\$ 12,326,551</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	<u>\$ 64,763</u>	<u>\$</u>	<u>\$</u>	<u>\$ 64,763</u>
Total Capital Assets Being Depreciated	64,763			64,763
Less Accumulated Depreciation For:				
Vehicles and Equipment	(32,973)	(3,239)		(36,212)
Total Accumulated Depreciation	(32,973)	(3,239)		(36,212)
Total Capital Assets, Being Depreciated, Net	31,790	(3,239)		28,551
Business-Type Activities Capital Assets, Net	<u>\$ 31,790</u>	<u>\$ (3,239)</u>	<u>\$ 0</u>	<u>\$ 28,551</u>

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 4. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 157,092
Protection to Persons and Property	53,936
General Health and Sanitation	10,991
Roads	<u>165,985</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 388,004</u>

Business-Type Activities

Jail Canteen	<u>\$ 3,239</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 3,239</u>

Note 5. Long-term Debt

A. Mortgage Revenue Bonds, Series 1998 - Courthouse Renovation and Construction Project

The Barren County Public Properties Corporation, an agency and instrumentality of the fiscal court issued obligations; dated July 1, 1998 and payable in 30 annual installments beginning February 1, 2000, with semi-annual interest payments at varying rates from 3.9% to 5.0%. The Corporation issued the bonds for the purpose of financing the cost of renovations and improvements to the Barren County Courthouse. In order to obtain funding for the project, the Fiscal Court executed deeds conveying the land and properties upon which the project was located to the Corporation.

The Corporation has entered into a lease agreement with the Fiscal Court whereby the Fiscal Court has leased the Barren County Courthouse on an annual rental basis at a rental equal to the amount of interest on and principal of the bonds coming due and payable on February 1 and August 1 of each year. The Fiscal Court has an exclusive option to renew the lease each July 1. Should the Fiscal Court renew the lease until the bonds mature February 1, 2029, the Corporation will convey the Barren County Courthouse to the Fiscal Court. Should the Fiscal Court terminate the option to the lease, the Fiscal Court will give possession of the property to the Corporation for the benefit of the bondholders.

Although the Fiscal Court is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements of the bonds for each year the lease agreement is renewed, the Fiscal Court expects to receive payments for the use of the Barren County Courthouse from the Kentucky Judicial Branch, Administrative Office of the Courts (AOC). The AOC will pay directly to the trustee a portion of the Fiscal Court's annual rental in the form of a use allowance. As of June 30, 2006, bonds outstanding, attributable to the renovations and improvements of the Barren County Courthouse, were \$3,450,000. Future principal and interest requirements are:

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 5. Long-term Debt (Continued)

A. Mortgage Revenue Bonds, Series 1998 - Courthouse Renovation and Construction Project (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	85,000	167,575
2008	90,000	163,835
2009	95,000	159,875
2010	100,000	155,695
2011	105,000	151,195
2012-2016	590,000	680,662
2017-2021	745,000	524,670
2022-2026	950,000	320,000
2027-2029	690,000	70,000
Totals	<u>\$ 3,450,000</u>	<u>\$ 2,393,507</u>

B. Mortgage Revenue Bonds, Series 1998 - Correction Center Project

The Barren County Public Properties Corporation, an agency and instrumentality of the fiscal court issued obligations; dated July 1, 1998 and payable in 20 annual installments beginning February 1, 2000, with semi-annual interest payments at varying rates from 3% to 4.8%. The Corporation issued the bonds for the purpose of financing the costs of renovations and improvements to the Barren County Corrections Center. In order to obtain funding for the project, the Fiscal Court executed deeds conveying the land and properties upon which the project was located to the Corporation.

The Corporation has entered into a lease agreement with the Fiscal Court whereby the Fiscal Court has leased the Barren County Corrections Center on an annual basis at a rental equal to the amount of interest on and principal of the bonds coming due and payable on February 1 and August 1 of each year. The Fiscal Court has an exclusive option to renew the lease each July 1. Should the Fiscal Court renew the lease until the bonds mature February 1, 2029, the Corporation will convey the Barren County Corrections Center to the Fiscal Court. Should the Fiscal Court terminate the option to the lease, the Fiscal Court will give possession of the property to the Corporation for the benefit of the bondholders. As of June 30, 2006, bonds outstanding were \$695,000. Future principal and interest requirements are:

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 5. Long Term Debt (Continued)

B. Mortgage Revenue Bonds, Series 1998 - Correction Center Project (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 45,000	\$ 32,195
2008	45,000	30,215
2009	50,000	28,235
2010	50,000	26,035
2011	55,000	23,785
2012-2016	305,000	79,363
2017-2018	145,000	10,560
Totals	<u>\$ 695,000</u>	<u>\$ 230,388</u>

C. General Obligation Bonds, Series 2000

The Fiscal Court issued obligations, dated May 15, 2000 and payable in 20 annual installments beginning May 1, 2001, with semi-annual interest payments at rates ranging from 5.35% to 5.50%. The Fiscal Court issued the bonds for the purpose of financing the cost of constructing a courthouse annex. As of June 30, 2006, bonds outstanding were \$2,670,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 135,000	\$ 144,458
2008	140,000	137,370
2009	150,000	130,020
2010	155,000	122,145
2011	165,000	114,008
2012-2016	950,000	429,475
2017-2020	975,000	137,775
Totals	<u>\$ 2,670,000</u>	<u>\$ 1,215,251</u>

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 5. Long Term Debt (Continued)

D. Dump Trucks

On January 16, 2002, Barren County entered into an agreement with Kentucky Association Of Counties Leasing Trust for the purchase of Dump Trucks. The principal was \$141,000 at an effective interest rate of 3.25% for a period of 5 years with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2006, is \$30,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 30,000	\$ 706
Totals	\$ 30,000	\$ 706

E. Ambulances (Barren County Lease #5)

On February 26, 2004, Barren County entered into an agreement with Kentucky Association Of Counties Leasing Trust for the purchase of an Ambulance. The principal was \$77,727 at an effective interest rate of 1.91% for a period of 3 years with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2006, is \$18,537. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 18,537	\$ 270
Totals	\$ 18,537	\$ 270

F. Ambulances (Barren County Lease #6)

On July 28, 2005, Barren County entered into an agreement with Kentucky Association Of Counties Leasing Trust for the purchase of Ambulances. The principal was \$132,642 at an effective interest rate of 3.37% for a period of 3 years with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2006, is \$100,642. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 48,000	\$ 3,167
2008	48,000	1,408
2009	4,642	58
Totals	\$ 100,642	\$ 4,633

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 5. Long Term Debt (Continued)

G. Stretchers (Barren County Lease #7)

On January 25, 2006, Barren County entered into an agreement with Kentucky Association Of Counties Leasing Trust for the purchase of Stretchers. The principal was \$51,413 at an effective interest rate of 4.00% for a period of 3 years with principal and interest paid annually. The principal outstanding as of June 30, 2006, is \$46,022. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 16,644	\$ 1,790
2008	17,374	1,156
2009	12,004	359
Totals	<u>\$ 46,022</u>	<u>\$ 3,305</u>

Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 2,795,000	\$	\$ 125,000	\$ 2,670,000	\$ 135,000
Revenue Bonds	4,275,000		130,000	4,145,000	130,000
Financing Obligations	133,882	184,055	122,736	195,201	113,181
Governmental Activities					
Long-term Liabilities	<u>\$ 7,203,882</u>	<u>\$ 184,055</u>	<u>\$ 377,736</u>	<u>\$ 7,010,201</u>	<u>\$ 378,181</u>

Note 6. Interest On Long-term Debt, Financing Obligations, And Lease Payments

Debt Service on the Statement of Activities includes \$9,070 in interest on financing obligations and \$356,380 in interest on bonds. Operating lease payments are also included in debt service.

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 25.01 percent.

Note 7. Employee Retirement System (Continued)

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

On September 4, 2002, the Barren County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2006, Barren County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Prior Period Adjustments

Beginning net assets of governmental activities has been restated by \$2,155 for prior year checks voided in the current year. The general, jail and Barren County government center construction fund have also been restated by \$1,947, \$220, and (\$12), respectively for prior year voided checks and for correction of an immaterial error.

BARREN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006

BARREN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 3,383,100	\$ 3,700,550	\$ 3,686,739	\$ (13,811)
In Lieu Tax Payments	97,500	104,200	88,385	(15,815)
Excess Fees	2,000	2,000		(2,000)
Licenses and Permits	110,000	190,700	198,491	7,791
Intergovernmental Revenue	2,382,924	3,081,027	2,731,857	(349,170)
Charge for Services		4,700	4,753	53
Miscellaneous	84,200	170,324	151,392	(18,932)
Interest	20,500	25,000	26,914	1,914
Total Revenues	6,080,224	7,278,501	6,888,531	(389,970)
EXPENDITURES				
General Government	2,796,978	3,293,030	2,664,244	628,786
Protection to Persons and Property	957,565	1,338,706	1,023,533	315,173
General Health and Sanitation	480,200	512,320	500,419	11,901
Social Services	73,328	95,496	73,058	22,438
Recreation and Culture	479,400	520,166	504,717	15,449
Debt Service	433,020	478,220	473,111	5,109
Administration	702,650	1,388,594	797,873	590,721
Total Expenditures	5,923,141	7,626,532	6,036,955	1,589,577
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	157,083	(348,031)	851,576	1,199,607
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds		184,055	184,055	
Transfers From Other Funds			4,161	4,161
Transfers To Other Funds	(1,120,394)	(1,120,394)	(477,165)	643,229
Total Other Financing Sources (Uses)	(1,120,394)	(936,339)	(288,949)	647,390
Net Changes in Fund Balance	(963,311)	(1,284,370)	562,627	1,846,997
Fund Balance - Beginning	963,311	1,286,208	1,286,208	
Fund Balance - Ending	\$	\$ 1,838	\$ 1,848,835	\$ 1,846,997

BARREN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,341,428	\$ 2,271,888	\$ 2,155,740	\$ (116,148)
Miscellaneous	100	5,100	5,972	872
Interest	3,000	9,000	10,177	1,177
Total Revenues	<u>1,344,528</u>	<u>2,285,988</u>	<u>2,171,889</u>	<u>(114,099)</u>
EXPENDITURES				
General Health and Sanitation	50,000	52,977	6,774	46,203
Roads	1,434,790	2,109,780	1,119,189	990,591
Debt Service	31,400	31,400	31,368	32
Administration	189,702	499,612	148,132	351,480
Total Expenditures	<u>1,705,892</u>	<u>2,693,769</u>	<u>1,305,463</u>	<u>1,388,306</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(361,364)</u>	<u>(407,781)</u>	<u>866,426</u>	<u>1,274,207</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>361,364</u>	<u>361,364</u>	<u>70,000</u>	<u>(291,364)</u>
Total Other Financing Sources (Uses)	<u>361,364</u>	<u>361,364</u>	<u>70,000</u>	<u>(291,364)</u>
Net Changes in Fund Balance		(46,417)	936,426	982,843
Fund Balance - Beginning		<u>44,098</u>	<u>44,099</u>	<u>1</u>
Fund Balance - Ending	<u>\$</u>	<u>\$ (2,319)</u>	<u>\$ 980,525</u>	<u>\$ 982,844</u>

BARREN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 831,700	\$ 940,700	\$ 945,902	\$ 5,202
Charges for Services	165,000	184,200	185,258	1,058
Miscellaneous	160,200	170,900	162,710	(8,190)
Interest	300	300	357	57
Total Revenues	1,157,200	1,296,100	1,294,227	(1,873)
EXPENDITURES				
Protection to Persons and Property	1,401,500	1,507,050	1,310,396	196,654
Debt Service	9,000	10,700	6,717	3,983
Capital Projects	13,000	13,000	3,255	9,745
Administration	400,500	605,924	387,327	218,597
Total Expenditures	1,824,000	2,136,674	1,707,695	428,979
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(666,800)	(840,574)	(413,468)	427,106
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	745,930	745,930	382,065	(363,865)
Transfers To Other Funds	(79,130)	(79,130)	(79,130)	
Total Other Financing Sources (Uses)	666,800	666,800	302,935	(363,865)
Net Changes in Fund Balance		(173,774)	(110,533)	63,241
Fund Balance - Beginning		173,774	173,994	220
Fund Balance - Ending	\$	\$	\$ 63,461	\$ 63,461

BARREN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

RECREATION DEPARTMENT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous Revenue	\$	\$ 2,000	\$ 2,000	\$
Interest			56	56
Total Revenues		2,000	2,056	56
EXPENDITURES				
Recreation and Culture	13,000	32,909	19,253	13,656
Administration	100	200	159	41
Total Expenditures	13,100	33,109	19,412	13,697
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(13,100)	(31,109)	(17,356)	13,753
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	13,100	25,100	25,100	
Total Other Financing Sources (Uses)	13,100	25,100	25,100	
Net Changes in Fund Balances		(6,009)	7,744	13,753
Fund Balances - Beginning		9	9	
Fund Balances - Ending	\$	\$ (6,000)	\$ 7,753	\$ 13,753

BARREN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2006

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**BARREN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2006

BARREN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2006

	Local Government Economic Assistance Fund	Federal Drug Forfeiture Fund	Hiseville Cemetery Fund	Work Release Fund	Total Non-Major Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 77,022	\$ 37,695	\$ 12,972	\$ 604	\$ 128,293
Investments			118,520		118,520
Total Assets	<u>\$ 77,022</u>	<u>\$ 37,695</u>	<u>\$ 131,492</u>	<u>\$ 604</u>	<u>\$ 246,813</u>
FUND BALANCES					
Unreserved:					
Special Revenue Funds	\$ 77,022	\$ 37,695	\$ 131,492	\$ 604	\$ 246,813
Total Fund Balances	<u>\$ 77,022</u>	<u>\$ 37,695</u>	<u>\$ 131,492</u>	<u>\$ 604</u>	<u>\$ 246,813</u>

The notes of the financial statements are an integral part of this statement.

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BARREN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2006

BARREN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2006

	Local Government Economic Assistance Fund	Federal Drug Forfeiture Fund	Hiseville Cemetery Fund	Work Release Fund	Total Non-Major Governmental Funds
REVENUES					
Intergovernmental	\$ 139,034	\$	\$ 7,350	\$	\$ 146,384
Charges for Services				8,568	8,568
Miscellaneous		46,871	270		47,141
Interest	574	208	5,473		6,255
Total Revenues	<u>139,608</u>	<u>47,079</u>	<u>13,093</u>	<u>8,568</u>	<u>208,348</u>
EXPENDITURES					
General Government				8,096	8,096
Protection to Persons and Property		5,911			5,911
Social Services			9,748		9,748
Roads	65,601				65,601
Total Expenditures	<u>65,601</u>	<u>5,911</u>	<u>9,748</u>	<u>8,096</u>	<u>89,356</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>74,007</u>	<u>41,168</u>	<u>3,345</u>	<u>472</u>	<u>118,992</u>
OTHER FINANCING SOURCES (USES)					
Transfers From Other Funds					
Transfers To Other Funds		(4,161)			(4,161)
Total Other Financing Sources (Uses)		<u>(4,161)</u>			<u>(4,161)</u>
Net Change in Fund Balances	74,007	37,007	3,345	472	114,831
Fund Balances - Beginning	3,015	688	128,147	132	131,982
Fund Balances - Ending	<u>\$ 77,022</u>	<u>\$ 37,695</u>	<u>\$ 131,492</u>	<u>\$ 604</u>	<u>\$ 246,813</u>

The notes of the financial statements are an integral part of this statement.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE SUITE C
LOUISVILLE, KY 40243

BUSINESS: (502) 245-0775
FAX: (502) 245-0725

E-MAIL: wtichenor@tichenorassociates.com

The Honorable Davie D. Greer, Barren County Judge/Executive
Members of the Barren County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statement
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Barren County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated October 12, 2006. Barren County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Barren County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

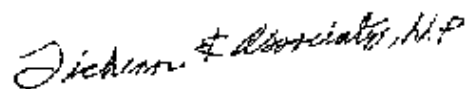
Compliance And Other Matters

As part of obtaining reasonable assurance about whether Barren County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of material noncompliance or other matters that are required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Tichenor & Associates, LLP". The signature is written in a cursive, flowing style.

Tichenor & Associates, LLP

October 12, 2006

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

BARREN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2006**

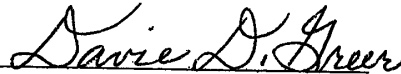
Appendix A

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

BARREN COUNTY FISCAL COURT

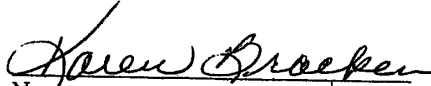
For The Fiscal Year Ended June 30, 2006

The Barren County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer

